

LUMP SUM PAYMENTS

Purpose: This category contains the policies and procedures for budgeting lump sum payments for cash, TANF/SFA-Related medical, and food assistance:

- WAC 388-455-0005, How lump sum payments affect benefits;
- WAC 388-455-0010, How the department treats lump sum payments as a resource for cash assistance and TANF/SFA-related medical assistance; and
- WAC 388-455-0015, How lump sum payments are counted as income for cash assistance and TANF/SFA-related medical assistance.

WAC 388-455-0005 How lump sum payments affect benefits.

- (1) For the purpose of determining benefits for cash assistance, Temporary Assistance for Needy Families (TANF)/ State Family Assistance (SFA)-related medical assistance, and food assistance, a lump sum payment is money that the client receives but does not expect to receive on a continuing basis.
- (2) For cash assistance and TANF/SFA-related medical assistance:
 - (a) The department counts payments awarded for wrongful death, personal injury, damage, or loss of property as resources as described in WAC 388-455-0010.
 - (b) We count all other lump sum payments as income as described in WAC 388-455-0015.
- (3) For food assistance, all lump sum payments are counted as resources as described in WAC 388-470-0055.

CLARIFYING INFORMATION

1. For treatment of lump sum payments placed in trust for GA-U clients, see WAC 388-450-0005, Income – Ownership and availability.

2. Compensatory awards, settlements, and retroactive benefits are often issued in several smaller payments instead of one large payment. These types of payments are considered unearned income. See WAC 388-450-0025, Unearned income.
3. For food assistance, Diversion Cash Assistance (DCA) payments are considered lump sum payments.

WAC 388-455-0010 How the department treats lump sum payments as a resource for cash assistance and TANF/SFA-related medical assistance.

This section applies to cash assistance and TANF/SFA-related medical assistance.

- (1) In the month the payment is received, the department does not count any amount of a lump sum payment awarded for:
 - (a) Wrongful death;
 - (b) Personal injury;
 - (c) Damage; or
 - (d) Loss of property.
- (2) In the month following the month of receipt, we count the entire amount as a resource except for the portion of the payment designated for:
 - (a) Repair or replacement of damaged or lost property; or
 - (b) Medical bills.
- (3) We do not count the portion described in (2) for 60 days following the month the payment is received. At the end of the 60-day period, we count any amount that remains as a resource.

CLARIFYING INFORMATION

1. We exclude a portion of the lump sum payment for 60 days in order to give the client time to use the money for its intended purpose (repair or replacement of damaged or lost property or to cover medical costs).
4. If a client transfers the portion of the payment that counts as a resource for less than adequate consideration, they may have a period of ineligibility. See **TRANSFER OF PROPERTY**.

WORKER RESPONSIBILITIES

1. When a client reports that they have received a compensatory award or settlement, determine the amount that is designated to repair or replace damaged or lost property or to cover medical expenses.
 2. If any portion is designated for these specific reasons:
 - a. Do not count this amount for 60 days following the month of receipt.
 - b. Set an alert to request verification of the amount that remains after the 60-day period.
 - c. When you receive the verification, determine if the client's total resources exceed the resource limit.
 - (i) If the resources are over the limit, terminate the benefits following adverse action requirements. See **CHANGE OF CIRCUMSTANCES**.
 - (ii) If the resources are under the limit, the client remains eligible for benefits.
- (2) For the portion not designated for the specific reasons:
- (a) Request verification of the amount remaining after the month of receipt.
 - (b) When you receive the verification, determine if the client's total resources exceed the resource limit.
 - (i) If the resources are over the limit, terminate the benefits following adverse action requirements. See **CHANGE OF CIRCUMSTANCES**.
 - (ii) If the resources are under the limit, the client remains eligible for benefits.

WAC 388-455-0015 How lump sum payments are counted as income for cash assistance and TANF/SFA-related medical assistance.

For cash assistance and TANF/SFA-related medical assistance, lump sum payments not awarded for wrongful death, personal injury, damage, or loss of property are counted as income. They are budgeted against the client's benefits according to the effective dates in WAC 388-418-0020. The rules in this section describe what portion is countable and when the department counts it. For rules on how lump sum payments awarded for wrongful death, personal injury, damage, or loss of property affect benefits, see WAC 388-450-0010.

- (1) To identify what portion of the lump sum the department will count as income, we take the following steps:
 - (a) First, we subtract the value of your existing resources from the resource limit as described in WAC 388-470-0005;
 - (b) Then, we subtract the difference in (1)(a) from the total amount of the lump sum; and
 - (c) The amount left over is the countable amount of the lump sum.
- (2) For cash assistance, the amount of the lump sum that is countable may change if any or all of the lump sum becomes unavailable for reasons beyond your control. See WAC 388-450-0005. When the countable amount of the lump sum payment is:
 - (a) Less than your payment standard plus additional requirements, we consider it as income in the month it is received.
 - (b) More than one month's payment standard plus additional requirements but less than two months:
 - (i) We consider the portion equal to one month's payment standard plus additional requirements as income in the month it is received; and
 - (ii) We consider the remainder as income the following month.

- (c) Equal to or greater than the total of the payment standard plus additional requirements for the month of receipt and the following month, we consider the payment as income for those months.
- (3) If you are ineligible or disqualified from receiving cash benefits and you receive a one-time lump sum payment:
 - (a) We allocate the payment to meet your needs as specified in WAC 388-450-0105; and
 - (b) The remainder is treated as a lump sum payment available to the eligible assistance unit members according to the rules of this section.
- (4) You can avoid having the lump sum budgeted against your benefits if you request termination of your cash assistance the month before you receive the lump sum.
- (5) For TANF/SFA-related medical assistance:
 - (a) We consider lump sum payments as income in the month of receipt.
 - (b) We consider any money that remains on the first of the next month as a resource.

CLARIFYING INFORMATION

1. Clients are required to report the receipt of a one-time payment within 10 days of the date they learn about the change. See WAC 388-418-0005, Reporting requirements.
2. In some situations, clients will know beforehand that they will receive a one-time payment.
 - a. If this happens, the payment is budgeted against the benefits following the effective dates in WAC 388-418-0020, How the department determines the date a change affects the benefit amount.
 - b. This may result in a suspense or termination. See WAC-388-450-0245,

When are my benefits suspended?

3. In most situations, clients will not know that they are going to receive a one-time payment until they actually have it.
 - a. Often, the payment will not be budgeted against the assistance due to the rules on effective dates.
 - b. You do not have to reconcile the difference to create an overpayment unless the client failed to report timely.
4. For cash assistance, if the lump sum is received for a child, the lump sum is counted as income unless the client can put the money into an irrevocable education trust. See WAC 388-470-0050, Resources that count.
5. Some reasons all or part of the lump sum may become unavailable beyond the client's control include:
 - a. The client loses the payment funds;
 - b. The payment funds are stolen; or
 - c. The client has unavoidable expenditures such as medical bills or lawyer fees.
6. If a client received a lump sum payment while living in another state and a period of ineligibility was established in that state, the period of ineligibility does not carry over to this state.

WORKER RESPONSIBILITIES

When determining the value of the client's existing resources, do not include cash assistance the client received within thirty days of receiving the lump sum.

Client Reports Before Receipt

1. When a client reports that they will be receiving a one-time payment, determine if you need any other information before taking action. You need to know the amount and date of receipt. If the client did not provide this information at the time of report, request the information and allow 10 days for the client to provide

- it.
- 2. When you receive the information, budget the payment against the appropriate months by allowing 10-days advance notice.
- 3. If the payment cause the AU to be over income for one month, suspend the benefits for that month.
- 4. If the payment causes the AU to be over income for two months, terminate the benefits and determine eligibility for other medical programs.
- 5. If you do not have time to give the client 10-day notice, do not budget the payment against the benefits or create an overpayment.

Client Reports After Receipt

- 1. When a client reports that they have received a one-time payment, determine if you need any other information before taking action. You need to know the amount and date of receipt. If the client did not provide this information at the time of report, request the information and allow 10 days for the client to provide it.
- 2. When you receive the information, disregard the portion of the payment that is considered income in the month of receipt.
- 3. If you have time to give the client 10 days notice, budget the appropriate amount against the following month.
- 4. If the payment causes the AU to be over income for that month, suspend the benefits.
- 5. If you do not have time to give the client 10-day notice, do not budget the payment against the benefits or create an overpayment.

Client Reports Untimely

- 1. When a client reports the receipt of a lump sum payment more than ten days after they learned of the receipt, determine the effective date as if they had reported timely. See **CHANGE OF CIRCUMSTANCES**, WAC 388-418-0020, How the department determines the date a change affects the benefit amount.

2. Create overpayments as appropriate. See **BENEFIT ERRORS**.